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DOME MINES LIMITED

Report to Shareholders

For the Financial Year Ended December 31

1965

Including Copies of the Reports of

SIGMA MINES (QUEBEC) LIMITED

(NO PERSONAL LIABILITY)

and

CAMPBELL RED LAKE MINES LIMITED

FOR THE SAME PERIOD

To Canadian Shareholders:

It is the view of the management of the Company that Canadian shareholders are entitled to a depletion allowance of 20% of the dividends received by them from the Company during the year 1965 pursuant to Section 11 of the Income Tax Act and the Income Tax Regulations.

Dome Mines Limited

(Incorporated under the laws of Canada)

LOCATION OF MINE AND HEAD OFFICE

South Porcupine, Ont.
Canada

ADDRESS OF THE CHAIRMAN OF THE BOARD

42 Wall Street, New York 5, N.Y.

ADDRESS OF THE PRESIDENT

360 Bay Street, Suite 702, Toronto 1, Ont.

ADDRESS OF THE SECRETARY

36 Toronto Street, Toronto 1, Ont.

REGISTRARS

Canada Permanent Trust Company
253 Bay Street, Toronto 1, Ont.
Bankers Trust Company, 16 Wall Street, New York 15, N.Y.

TRANSFER AGENTS

Crown Trust Company, 302 Bay Street, Toronto 1, Ont.
Empire Trust Company, 20 Broad Street, New York 5, N.Y.

AUDITORS

Clarkson, Gordon & Co. — Toronto 1, Ont.

VICE-PRESIDENT AND GENERAL MANAGER

Charles P. Girdwood

GENERAL SUPERINTENDENT — South Porcupine

Arthur D. Robinson

DOMEXPLORATION (CANADA) LIMITED

360 Bay Street, Suite 702, Toronto 1, Ont.

GENERAL COUNSEL

Fasken, Calvin, MacKenzie, Williston & Swackhamer
36 Toronto Street, Toronto 1, Ont.

DIRECTORS

Clifford W. Michel	New York, N.Y.
F. Warren Pershing	New York, N.Y.
Henry C. Brunie	New York, N.Y.
A. Bruce Matthews	Toronto, Ont.
James B. Redpath	Toronto, Ont.
William F. James	Toronto, Ont.
William R. Biggs	New York, N.Y.
Allen T. Lambert	Toronto, Ont.
Bryce R. MacKenzie	Toronto, Ont.

OFFICERS

Clifford W. Michel
Chairman of the Board and Treasurer

James B. Redpath President	Charles P. Girdwood Vice-President and General Manager
Bryce R. MacKenzie Secretary	H. H. Buttermann Assistant Secretary
F. M. Fell Assistant Secretary	H. W. Macdonell Assistant Treasurer

A. D. Robinson
General Superintendent

It is recorded here that it is the intention of the present management to solicit proxies. The form of proxy and the proxy statement will accompany the Notice of Annual Meeting which is being mailed to all shareholders.

COMPARATIVE SUMMARY

	Parent Company	
	1965	1964
Tonnage Milled	713,000	714,500
Ounces Gold Produced	178,550	177,594
Average Price of Gold per ounce	\$37.73	\$37.76
Value of Bullion	\$ 6,794,769	\$ 6,760,881
Operating Costs	\$ 6,480,298	\$ 6,157,702
Net Income	\$ 2,700,742	\$ 2,554,827
Net Income per share	\$1.39	\$1.31
Current Assets	\$13,366,828	\$12,118,797
Current Liabilities	\$ 1,219,403	\$ 1,254,012
Working Capital	\$12,147,425	\$10,864,785
Investments (at book value)	\$ 9,345,427	\$ 9,704,673
Number of Shareholders — December 31	6,430	6,066
Dividends Declared	\$ 1,752,001	\$ 1,752,001
Dividends declared per share	\$0.90	\$0.90
Shares Issued	1,946,668	1,946,668
<hr/>		
Sigma Mines (Quebec) Limited (63% owned by Dome)		
Net Income	\$ 440,819	\$ 393,301
Campbell Red Lake Mines Limited (57% owned by Dome)		
Net Income	\$ 2,442,062	\$ 2,404,507

of

Dome Mines Limited

(For the Financial Year Ended December 31, 1965)

Toronto, Ontario,
March 1, 1966.To the Shareholders of
Dome Mines Limited:

On behalf of your Directors, the Chairman and President are pleased to submit their joint report covering the financial year ended December 31, 1965. This Report in the form initiated last year, includes the Balance Sheet and Statements of Income and Surplus which consolidate your Company's interests in its subsidiaries, Campbell Red Lake Mines Limited and Sigma Mines (Quebec) Limited. In order to compare with previous Annual Reports, it includes, as heretofore, the parent Company's Balance Sheet and Statements of Income and Surplus together with a Statement of Source and Application of Funds, all certified by the Auditors of the Company. Our Report also includes the Report of the General Manager and the Report of the President of Dome Exploration (Canada) Limited, our exploration subsidiary.

The Consolidated Accounts, in contrast to the parent Company accounts, reflect the Company's equity in the earnings of our subsidiaries over and above the dividends paid by these subsidiaries to us. Thus the Consolidated Net Income for 1965 aggregated \$3,039,218 or \$1.56 per share as compared with \$2,842,929 or \$1.46 per share in 1964. Similarly, the Consolidated Balance Sheet combines all the assets and liabilities of the three companies. The total assets, on a consolidated basis, at the end of 1965 aggregated \$41,085,689 as compared with \$39,734,051 at the end of 1964.

Dealing with the parent Company only, the gross production was 178,550 ounces of gold as compared with 177,594 ounces in 1964. Operating profit was \$902,626, while Other Income improved to \$2,228,116. After income taxes of \$430,000 net income was \$2,700,742 or \$1.39 per share in 1965, as compared with \$1.31 per share in 1964. From these profits dividends aggregating 90¢ per share were declared during the year, the same as the previous year.

The parent Company's net income reached its highest level in twenty-one years. This was made possible by an increase in total dividend and interest income. Our operations at the parent mine and at Sigma were substantially aided by payments received under the Emergency Gold Mining Assistance Act, which Act the Federal Government has extended until December 31, 1967. The outlook for 1966 is not materially different from that of the year just closed, although we must continuously struggle against the rising costs of operation caused by the inflationary factors that continue unabated.

The financial position of the parent Company showed further improvement in 1965, and at the year-end the Net Excess of Current Assets over Current Liabilities, based on cost which is less than market, aggregated \$12,147,000, a gain of \$1,283,000 over the comparable figure in 1964. Our holdings in the Cities Service Company, which now amount to 80,000 shares of common stock, were previously included with the Current Assets, but during the course of the year were transferred to a subsidiary company and are now included with Other Investments Consolidated. Details of our holdings, which include our investment in Mattagami Lake Mines Limited, are set forth in the schedule of marketable securities and investments on page ten.

The Annual Reports of our two major subsidiaries, Campbell Red Lake Mines Limited and Sigma Mines (Quebec) Limited, are attached to this Report. The dividends from Campbell provide the major source of other income to the parent. Campbell's earnings, with no benefit from Cost Aid, reached a record high of \$2,442,062, up from \$2,404,507 in 1964. The net income of Sigma increased approximately \$47,000 to \$440,819. The shares of Campbell, which stand on our books at \$1,332,000, had a market value of \$43,132,000 based on the 1965 closing bid price on the Toronto Stock Exchange. Comparable figures for our holdings in Sigma were a book cost of \$732,000 and a market value of \$3,190,000.

Our affiliate, Dome Petroleum Limited, had a satisfactory year with gross income from oil and gas production increasing approximately 5% to \$7,150,000. However, increased operating costs, related mainly to new pressure maintenance projects in several fields, resulted in a modest decline in net income to \$4,064,000 as compared with

\$4,267,000 in 1964, after restating these accounts to the full cost method of accounting treatment. Our investment in the shares, which stands on our books at \$1,088,000, had a market value of \$7,033,000 based on the 1965 closing bid price on the Toronto Stock Exchange.

The search for new mineral deposits continued with the subsidiaries Campbell Red Lake Mines and Sigma Mines participating in various projects under the agreement which went into effect in 1959. The year's activities are reviewed on page seventeen.

Arising from your Company's participation in mineral exploration projects which made mineral discoveries are the holdings in Mattagami Lake Mines Limited and the Canada Tungsten Mining Corporation Limited. Mattagami Lake Mines had a most satisfactory year and redeemed one-third of its outstanding debentures on the 31st of December. Higher prices for tungsten have materially improved the outlook for Canada Tungsten which continues regular production at its Flat River deposit in the Yukon Territories.

With no meaningful change in the price of gold, the benefits of the Emergency Gold Mining Assistance Act take on ever increasing importance in moderating the effect of increases in wage rates and higher prices for supplies, together with increased sales tax and new taxes for social benefits, all of which resulted in an upward pressure on operating costs throughout the year.

During the past year the basic problems of the International Monetary system came no nearer to solution. While the 1964-1965 Sterling crisis, which threatened a devaluation of the pound, was averted and while the United States Balance of Payments deficit in 1965 was reduced to \$1,300 million from \$2,800 million the year before, the gold outflow from the United States continued. At the end of last year that country's gold reserves, down by about \$1,500 million in 1965, were below \$14,000 million, or about 40% below their post-war highs. Proposals to create new forms of international reserves, other than gold, abound but the likelihood of the central banks placing their trust in some new form of reserves is made doubtful by their very own actions in cashing in their dollar claims for American gold during the period of that country's Balance of Payments deficit. The fact of the matter is that in the minds of Monetary managers, gold is the ultimate reserve in time of monetary crises and gold is becoming a scarce commodity with all of last year's new production finding its way into private hands and not into the reserves of the central banks or the International Monetary Fund. The official United States view that the price of gold is immutable does not conform with a fundamental law of economics that scarcities are corrected by raising the price of the article sought.

It is with deep regret that we report the death of Mr. J. H. Stovel who has been associated with your Company since 1928, having served as General Manager and a Director and in later years as Consultant. We believe it is fitting at this time to acknowledge his substantial contributions to the welfare of the Company over a period of so many years.

To the management and staff at each of our properties, we extend our appreciation for the careful planning and direction which made possible the results obtained during the past year.

Respectfully submitted,

On behalf of the Board,

CLIFFORD W. MICHEL,
Chairman.

JAMES B. REDPATH,
President.

DOMINION

(Incorporated in
and its subsidiaries)

BALANCE SHEET

(with comparative figures)

ASSETS

	Parent Company		Consolidated	
	1965	1964	1965	1964
Current Assets:				
Cash, including bank term deposits	\$ 4,212,941	\$ 4,102,870	\$ 5,453,079	\$ 5,528,126
Bullion on hand and in transit, at net realizable value	536,496	333,176	1,808,021	642,458
Short term commercial paper, at cost	5,440,949	4,111,623	8,627,768	7,284,956
Marketable securities (schedule attached) (note 2)	2,216,513	2,714,806	5,679,645	6,416,571
Accounts receivable —				
Dividends receivable from subsidiary companies	544,351	462,722		
Other (including accrued interest and estimated amount receivable under the Emergency Gold Mining Assistance Act)	415,578	393,600	797,331	647,563
	<u>13,366,828</u>	<u>12,118,797</u>	<u>22,365,844</u>	<u>20,519,674</u>
Investments (schedule attached) (notes 1 and 2):				
Subsidiary companies	6,733,601	6,730,601		
Other	2,611,826	2,974,072	7,290,447	7,658,915
	<u>9,345,427</u>	<u>9,704,673</u>	<u>7,290,447</u>	<u>7,658,915</u>
Capital Assets:				
Buildings, machinery and equipment, substantially at cost	6,619,771	6,491,340	17,205,308	16,861,138
Less accumulated depreciation	6,136,092	5,950,032	15,611,398	15,153,804
	<u>483,679</u>	<u>541,308</u>	<u>1,593,910</u>	<u>1,707,334</u>
Mining claims and properties, substantially at cost (No deduction has been made for ores mined)	6,360,264	6,360,264	7,627,068	7,627,068
	<u>6,843,943</u>	<u>6,901,572</u>	<u>9,220,978</u>	<u>9,334,402</u>
Other Assets:				
Mining and milling supplies, at cost	879,139	802,185	1,876,207	1,873,025
Deposits and prepaid expenses	55,239	69,217	87,360	114,834
Non-current accounts receivable			244,853	233,201
	<u>934,378</u>	<u>871,402</u>	<u>2,208,420</u>	<u>2,221,060</u>
	<u>\$30,490,576</u>	<u>\$29,596,444</u>	<u>\$41,085,689</u>	<u>\$39,734,051</u>

(See accompanying notes)

LIMITED

(In accordance with the laws of Canada)

Companies

DECEMBER 31, 1965

(December 31, 1964)

LIABILITIES

	Parent Company		Consolidated	
	1965	1964	1965	1964
Current Liabilities:				
Salaries and wages payable	\$ 240,964	\$ 228,043	\$ 411,250	\$ 391,231
Accounts payable	178,914	155,424	358,379	415,273
Accrued charges	98,399	81,033	167,942	170,944
Accrued taxes	117,126	205,512	881,990	980,681
Dividends payable	584,000	584,000	921,197	921,197
	<u>1,219,403</u>	<u>1,254,012</u>	<u>2,740,758</u>	<u>2,879,326</u>
Deferred Income Taxes	55,000	75,000	173,000	214,000
Minority Interest in Subsidiary Companies			4,352,077	4,108,088
Capital and Surplus:				
Capital —				
Authorized:				
2,000,000 shares of no nominal or par value				
Issued:				
1,946,668 shares	7,000,000	7,000,000	7,000,000	7,000,000
Paid-in surplus	3,606,389	3,606,389	3,606,389	3,606,389
Earned surplus — appropriated as reserve for contingencies, securities, etc.	2,354,708	2,354,708	2,354,708	2,354,708
Earned surplus — unappropriated	16,255,076	15,306,335	20,858,757	19,571,540
	<u>29,216,173</u>	<u>28,267,432</u>	<u>33,819,854</u>	<u>32,532,637</u>
 On behalf of the Board:				
 J. B. REDPATH, Director.				
 B. R. MacKENZIE, Director.				
	<u>\$30,490,576</u>	<u>\$29,596,444</u>	<u>\$41,085,689</u>	<u>\$39,734,051</u>

(Financial statements)

Dome Mines Limited

and its subsidiary companies

STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

	Parent Company		Consolidated	
	1965	1964	1965	1964
Revenue:				
Bullion	\$6,794,769	\$6,760,881	\$16,090,603	\$16,058,976
Expenditures:				
Development	1,330,432	1,289,201	2,536,611	2,439,790
Shaft sinking	43,769		85,857	242,753
Mining	3,769,863	3,561,752	6,036,423	5,806,458
Reduction	867,561	870,881	1,918,679	1,901,666
Refining and marketing	54,993	54,942	130,972	128,758
General and administrative	365,118	337,123	833,167	764,311
Taxes other than income	48,562	43,803	106,834	100,513
	6,480,298	6,157,702	11,648,543	11,384,249
Less credit under the Emergency Gold Mining Assistance Act	1,005,000	915,000	1,457,400	1,336,000
	5,475,298	5,242,702	10,191,143	10,048,249
	1,319,471	1,518,179	5,899,460	6,010,727
Deduct:				
Provision for depreciation	199,273	193,523	564,503	582,323
Provision for tax under Provincial Mining Tax Acts	60,000	72,000	381,800	383,500
Outside exploration expenses	157,572	195,914	231,386	285,943
	416,845	461,437	1,177,689	1,251,766
Operating profit	902,626	1,056,742	4,721,771	4,758,961
Add other income:				
Dividends from subsidiary companies	1,422,612	1,322,713		
Other dividends	68,944	115,185	127,234	115,185
Interest, etc.	736,560	635,187	1,155,226	963,276
	2,228,116	2,073,085	1,282,460	1,078,461
Income before provision for income taxes	3,130,742	3,129,827	6,004,231	5,837,422
Provision for income taxes	430,000	575,000	1,743,987	1,807,500
	2,700,742	2,554,827	4,260,244	4,029,922
Minority interest in income of partially-owned subsidiary companies			1,221,026	1,186,993
Net income for the year	\$2,700,742	\$2,554,827	\$ 3,039,218	\$ 2,842,929

(See accompanying notes to financial statements)

Dome Mines Limited

and its subsidiary companies

STATEMENTS OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

	Parent Company		Consolidated	
	1965	1964	1965	1964
Paid-in surplus:				
Balance December 31	\$ 3,606,389	\$ 3,606,389	\$ 3,606,389	\$ 3,606,389
Earned surplus appropriated as reserve for contingencies, securities, etc.:				
Balance December 31	\$ 2,354,708	\$ 2,354,708	\$ 2,354,708	\$ 2,354,708
Earned surplus unappropriated:				
Balance January 1	\$15,306,335	\$14,503,509	\$19,571,540	\$18,480,612
Add net income for the year	2,700,742	2,554,827	3,039,218	2,842,929
	18,007,077	17,058,336	22,610,758	21,323,541
Deduct:				
Dividends declared of 90¢ per share comprising four quarterly dividends of 20¢ each and an extra dividend of 10¢	1,752,001	1,752,001	1,752,001	1,752,001
Balance December 31	\$16,255,076	\$15,306,335	\$20,858,757	\$19,571,540

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

	Parent Company		Consolidated	
	1965	1964	1965	1964
Source of funds:				
Net income for year	\$ 2,700,742	\$ 2,554,827	\$ 3,039,218	\$ 2,842,929
Depreciation	199,273	193,523	564,503	582,323
Decrease in deferred income taxes	(20,000)	(10,000)	(41,000)	(44,500)
Decrease (increase) in investments	359,246	(385,962)	368,468	(405,962)
Increase of minority interest in subsidiary companies			243,989	209,956
Total	3,239,261	2,352,388	4,175,178	3,184,746
Application of funds:				
Dividends	1,752,001	1,752,001	1,752,001	1,752,001
Expenditures on capital assets (net)	141,644	98,222	451,079	343,900
Increase (decrease) in other assets	62,976	1,560	(12,640)	149,874
Total	1,956,621	1,851,783	2,190,440	2,245,775
Net increase in working capital for year	1,282,640	500,605	1,984,738	938,971
Working capital, January 1	10,864,785	10,364,180	17,640,348	16,701,377
Working capital, December 31	\$12,147,425	\$10,864,785	\$19,625,086	\$17,640,348

(See accompanying notes to financial statements)

Dome Mines Limited

and its subsidiary companies

SCHEDULE OF MARKETABLE SECURITIES AND INVESTMENTS

DECEMBER 31, 1965

(with comparative figures at December 31, 1964)

	Par value or number of shares	Book value (note 2)	
		1965	1964
Marketable Securities:			
Parent company —			
Government and government guaranteed short term securities (\$2,700,000 par value in 1964)	\$2,200,000	\$2,162,270	\$2,660,563
Kerr Addison Mines Limited	10,000	54,243	54,243
		<u>2,216,513</u>	<u>2,714,806</u>
Subsidiary companies —			
Government and government guaranteed short term securities (\$3,750,000 par value in 1964)	\$3,516,000	3,463,132	3,701,765
Consolidated		<u>\$5,679,645</u>	<u>\$6,416,571</u>
(Quoted market values of above "Marketable Securities": 1965 — parent company \$2,255,000, consolidated \$5,686,000; 1964 — parent company \$2,761,000, consolidated \$6,460,000)			
Subsidiary Companies:			
Parent company —			
Campbell Red Lake Mines Limited (57% owned)	2,270,105	\$1,331,595	\$1,331,595
Sigma Mines (Quebec) Limited (63% owned)	625,536	731,764	731,764
Dome Exploration (Canada) Limited (100% owned)	250	25,000	25,000
Dome Investments Limited (100% owned) (note 1):			
Note receivable	\$4,642,242	4,642,242	4,642,242
Shares	1,000	3,000	
		<u>\$6,733,601</u>	<u>\$6,730,601</u>
Other Investments:			
Parent company —			
Dome Petroleum Limited:			
Shares	465,000	\$1,088,125	\$1,088,125
Canada Tungsten Mining Corporation Limited:			
6% promissory note	\$ 145,200 }	534,337	534,337
6% income debentures due December 31, 1971	\$ 389,136 }		
Shares	698,164 }		
Mattagami Lake Mines Limited:			
6% income debentures due April 30, 1975 (\$832,300 par value in 1964)	\$ 554,800 }	565,901	832,301
Shares	366,192 }		
Sundry		423,463	519,309
		<u>2,611,826</u>	<u>2,974,072</u>
Subsidiary companies —			
Anglo Norrness Shipping Company Limited:			
5½% Convertible Promissory Note, due December 31, 1971 (note 1)	U.S.\$2,500,000	2,619,532	2,619,532
Cities Service Company, common shares (note 1)	80,000	2,023,088	2,022,710
Local school and municipal debentures (\$42,600 par value in 1964)	\$ 36,000	36,000	42,600
Sundry		1	1
Consolidated		<u>\$7,290,447</u>	<u>\$7,658,915</u>
(Quoted market values of above "Other Investments", including notes and debentures at their par value: 1965 — parent company \$16,107,000, consolidated \$22,512,000; 1964 — parent company \$18,570,000, consolidated \$24,752,000)			

(See accompanying notes to financial statements)

Dome Mines Limited

and its subsidiary companies

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1965

1. The consolidated financial statements for 1965 include the accounts of two wholly-owned subsidiaries, Dome Investments Limited and Dome Exploration (Canada) Limited and two partially-owned subsidiaries, Campbell Red Lake Mines Limited (57% owned) and Sigma Mines (Quebec) Limited (63% owned).

In 1965 the subsidiary, Dome Investments Limited (incorporated in 1965) acquired the Company's investments in Anglo Norness Shipping Company Limited (U.S. \$2,500,000 promissory note) and in Cities Service Company (44,000 convertible preference shares — subsequently exchanged for 79,992 common shares and an additional 8 common shares purchased). The investment in Cities Service Company included in 1964 in "marketable securities" (current assets) is now included along with the investment in Anglo Norness Shipping Company Limited under "other investments" and the prior year's figures submitted for comparison have been adjusted to reflect such reclassification and the 1965 transfer to Dome Investments Limited.

2. Marketable securities and investments are carried at cost except for (a) shares acquired as a result of development work (which are carried at nominal values), and (b) certain other investments which are carried at cost less amounts written off.
3. Dome has guaranteed (to the extent of \$217,800) bank borrowings of one of the companies in which it has an investment interest.
4. The total remuneration paid by the Company and its subsidiaries to directors of the Company, including those holding salaried employment, amounted to \$78,300 in 1965.

AUDITORS' REPORT

To the Shareholders of
Dome Mines Limited:

We have examined the balance sheets of Dome Mines Limited, parent Company, and of Dome Mines Limited and its subsidiary companies consolidated, at December 31, 1965 and the related statements of income, surplus and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheets and statements of income, surplus and source and application of funds present fairly the financial position of Dome Mines Limited and of that company and its subsidiary companies consolidated, at December 31, 1965, the results of their operations and the sources and applications of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1966.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Dome Mines Limited

REPORT OF THE GENERAL MANAGER

To the Chairman of the Board, President and Directors:

I submit for your consideration this report on the operations of your Company during the year 1965.

During the year 713,000 tons of ore were treated in the mill. In the course of mining operations 75,000 tons of waste rock were excavated, most of which was used as backfill or deposited in the old open pit.

The 713,000 tons of ore milled yielded 178,550 ounces of gold, the yield being 0.2504 ounces, or 5.01 dwt. per ton.

All grades of ore will be expressed in pennyweights (dwt.) throughout this report. One pennyweight equals one-twentieth (1/20th) of an ounce Troy weight. The price paid by the Royal Canadian Mint is based on \$35.00 per ounce United States funds and settlements are made in equivalent Canadian funds at current exchange rates. The average price received for gold was \$37.73 per ounce compared to \$37.76 per ounce for the previous year.

COSTS:

The expenditure on development was \$1,374,201 or \$1.93 per ton as compared with \$1,289,201 or \$1.80 per ton milled in 1964.

The above figures for development in 1965 include \$43,769 or \$0.06 per ton for shaft sinking while no expenditures for sinking were incurred in 1964.

The expenditure on mining was \$3,769,863 or \$5.28 per ton as compared with \$3,561,752 or \$4.99 per ton milled in 1964.

The total operating charges for the year were \$6,480,298 or \$9.09 per ton as compared with \$6,157,702 or \$8.62 per ton milled in 1964.

The operating cost per ounce of gold produced was \$36.29 as compared with \$34.67 in 1964.

DEVELOPMENT:

SUMMARY OF DEVELOPMENT FOOTAGE BY LEVELS FOR YEAR 1965

Level	Drifts	Cross-cuts	Drift and Cross-cut Slab	Raises	Boxholes	Raise and Boxhole Slab	Shafts	Stations	Totals	Diamond Drilling (Exploration & Direction of Mining)
Surface										
1st										
3rd	285	8	44	162	71	41			611	
4th										
5th	26	385	52						463	5,963
6th			14						14	329
7th	47		16	171		21			255	1,677
8th	932	342	202		53	25			1,554	3,487
9th	127	91	19	108	111	79			535	4,070
10th	1,095	70	105		139	74			1,483	7,783
11th	157	69	41	101	18	32			418	2,672
12th	1,371	310	177	28	332	181			2,399	11,202
13th	836	138	113	184	449	176			1,896	3,445
14th			31	68	40	11			150	3,128
15th		410	2		83	45			540	
16th		26	1	38	35	19			119	1,048
17th			3	167	73	50			293	2,071
18th			10	381	27	89			507	1,936
19th	845	760	131	163	463	271			2,633	7,455
20th	762		28		136	69			995	2,477
21st	666	357	104		26	10			1,163	4,955
22nd	1,106	272	82		43	18			1,521	2,982
23rd	641	50	110		23	30			854	918
24th	181		52	109	196	117			655	1,934
25th	892	278	42	139	254	125			1,730	11,024
26th	993	342	86		224	99			1,744	5,149
27th	1,303		91	212	97	60			1,763	5,031
28th										
29th	342	252	40		164	80	148		1,026	8,400
30th			7						7	
31st	188	40	22						250	2,217
32nd	1,508	669	120	169		19			2,485	1,900
33rd	231		33	468		129			861	
34th	830	151	70	1,130	102	245			2,528	10,367
35th										1,591
36th		46	3					125	174	
TOTALS	15,364	5,066	1,851	3,798	3,159	2,115	148	125	31,626	115,211

Development work amounted to 31,626 feet which compares with 30,759 feet in the previous year. The figures for 1965 include 273 feet of sinking and station cutting in connection with No. 7 shaft. Development work below the sixteenth level was 21,189 feet as compared with 18,868 feet in the previous year. The total of 115,211 feet of core diamond drilling compares with the total of 111,364 feet in 1964.

MINING:

The 713,000 tons of ore milled during the year were produced as follows:

	Tons	Average Grade Dwt. per Ton
From stopes	596,300	5.56
From development	116,700	3.04
	<u>713,000</u>	<u>5.15</u>

The following tabulation is presented to indicate the sections of the mine from which the ore came:

Source of Ore	Tons	Average Grade Dwt. per Ton	
8th level to surface, No. 3 shaft	12,790	3.69	Dev. & Stope Ore
9th level to 16th level, No. 3 shaft	334,110	5.07	Dev. & Stope Ore
Area serviced by No. 6 internal shaft	351,024	5.35	Dev. & Stope Ore
Area serviced by No. 7 internal shaft	15,076	3.25	Development Ore
Total Mine	<u>713,000</u>	<u>5.15</u>	Dev. & Stope Ore
Ore from Ankerite veins	<u>194,657</u>	<u>3.81</u>	Dev. & Stope Ore
(included in the above)			

ORE RESERVES:

Ore reserves at the close of the year were estimated at 2,285,000 tons with an average grade of 5.34 dwt. as compared with 2,350,000 tons with an average grade of 5.33 dwt. for 1964

	Tons — 1965	Tons — 1964
Unbroken ore	2,065,000	2,124,000
Broken ore	<u>220,000</u>	<u>226,000</u>
	<u>2,285,000</u>	<u>2,350,000</u>

Ankerite ore comprises 43% of the reserves. This ore is more refractory to the milling process than the normal ore in the mine.

MILL:

Following are the milling results:

Tons of ore treated	713,000 tons
Average tons per day worked	1,986 tons
Average grade of ore treated	5.15 dwt. per ton
Recovery	5.01 dwt. per ton
Recovery percentage	97.30%

CAPITAL EXPENDITURE:

The details of changes in plant buildings and equipment are as follows:

Additions:	
No. 7 shaft equipment	\$ 8,970
Mine equipment	71,791
Reduction equipment	26,484
Surface equipment	36,518
	<u>\$ 143,763</u>
Less net book value of retirements	2,119
Net increase	<u>\$ 141,644</u>

GENERAL:

Net Income at \$2,700,742 was the highest for the past twenty-one years, again due to increased revenue from investments. Without considering payments under the Emergency Gold Mining Assistance Act, mine operations showed a loss for the year after inclusion of outside exploration expenses, depreciation and mining taxes. This situation is common among Canadian gold mines, and illustrates the value of E.G.M.A. payments in keeping these mines in operation under a fixed buying price for gold.

Total and unit operating costs increased \$322,596 and 47¢ per ton respectively. Labour was the largest single item of increased cost for the year and the increase amounted to \$285,742 or 40¢ per ton due to higher wage rates, abnormally high labour turnover and preparation for the 40-hour week; other items were higher prices for supplies and transportation, additional Federal sales tax, shaft sinking and an enlarged development program. Operating costs per ounce of gold produced increased to \$36.29.

The impact of these substantial items of cost was partially offset by further improvements in efficiency both underground and on surface. In this regard extensive testing of a cement-tailings mixture for floors in cut-and-fill stopes has shown improvements as compared with the former wooden floors. To obtain maximum benefit, a bulk cement-handling-plant is being installed in the mill and cement will be introduced at surface into the underground distribution system, by-passing the hydraulic fill storage stopes. It is of interest to note that a total of 2,162,800 tons of hydraulic fill has been placed to date with no significant wear on the lateral lines.

During recent years a study made of some of the new orebodies indicated that due to their steep dip and favourable ground conditions, economies could be obtained by a combination of shrinkage stope mining and long-hole drilling. Five shrinkage stopes were operating at year-end. Diamond drilling in selected areas in the old stops of the mine has been successful in finding ore; most of this ore will be available for mining when former stopes and caved areas have been stabilized by filling. Hydraulic fill is particularly suited to this application.

From the tabulation on page thirteen it will be noted that both development and diamond drill footage increased over recent years. This is due to shaft sinking and development connected with No. 7 shaft and continuing exploration of outlying areas of the property. Early in December further sinking commenced at No. 7 shaft; it is planned to extend this shaft to the limit of the present hoisting equipment making available three new levels to a depth of 5,260 feet from surface. General development throughout the mine continues to extend known ore zones and has added some new ore to reserves. A near record of 713,000 tons was milled during the year while ore reserves declined by 65,000 tons. Following the pattern of recent years, there was a slight increase in the average grade of ore reserves due to further work on the "fuschite vein" which has now been opened up at No. 3 shaft between the 8th and 17th levels, a vertical distance of 1,350 feet. There is some indication that the former lengths of ore in this vein will be extended. Stopping on this vein above the 13th and 15th levels has confirmed the grade as being considerably above mine average. Further exploration of the conglomerates, located some distance from the main workings at No. 3 shaft, has found a zone of mineralized quartz veins with low gold values. Additional work will be necessary to determine the importance of this zone. Diamond drilling south of the main workings from the 25th level at No. 6 shaft has outlined an irregular-shaped orebody in porphyry; this ore is of significance as it is the deepest ore found to date in this structure.

The mill treated 713,000 tons or 1,986 tons per day worked, which is peak capacity for the plant. During the past two years the ore has been harder and more refractory with an increased sulphide content; the installation of an additional grinding unit and two pachuca agitators, mentioned last year, had a beneficial effect on recovery which increased 0.27% to 97.30%. Costs of ore reduction showed a slight decrease for the year. There was an improvement in the grade of ore treated which resulted in an increase of 956 ounces of gold and 1,266 ounces of silver for a total increase in bullion value of \$33,888. The value of production for 1965 is the highest during the past twenty-four years.

The mining industry suffers from a shortage of man-power due to the continued high level of industrial and construction activity throughout Canada. Numerous representations have been made to the Federal government at Ottawa and we trust that serious consideration will soon be given to labour requirements either through an expanded immigration program or relocation of men from areas of low employment. The high labour turnover at Dome necessitated operation of an expanded on-the-job training program for miners which was in operation during the full year. The 40-hour week was introduced effective January 1st, 1966 with no loss in earnings of employees.

On January 1st, 1966 contributions to the Canada Pension Plan became mandatory for employees and the Company. Dome employees were given the option, to be exercised within a limited period of time, of contributing to both the Canada and the Dome plans or withdrawing their contributions with interest from the Dome Pension Plan. While a number of the younger employees did withdraw their deposits, it is significant that most of the staff and the older employees elected to remain on both plans. We believe that the Dome Plan, which has been in operation for over 27 years, has been beneficial to both employees and the Company.

The mining and mineral industry has become such a powerful force in our national economy that it is now a main support during periods of retrenchment and a major growth sector during periods of expansion. That gold mining continues to contribute substantially to the Canadian economy, as well as to the local community, is illustrated by the summary of this Company's expenditures and location of purchases, as set forth on the page immediately following.

It is indeed a pleasure to acknowledge at this time the co-operation and efficient services rendered by the heads of departments and members of the staff and the continued loyal service of all employees during the year. I acknowledge also the support and helpful counsel of the Chairman of the Board, the President and the Directors.

South Porcupine, Ontario,
February 21, 1966.

Respectfully submitted,

CHARLES P. GIRDWOOD, General Manager.

Dome Mines Limited



Total amount of wages and salaries	\$4,180,936
Total supplies and services (excluding employee benefits)	2,462,514
Income taxes	430,000
Other taxes (Provincial and Municipal)	109,313
Workmen's Compensation Board of Ontario Assessments	245,521
Unemployment Insurance	37,068
Cost of Pension Plan, Group Life Insurance, Sick Pay, Medical Plan and other employee benefits	178,292

Principal Cities and Towns in Canada which Benefit

Acton	Edmonton	Leaside	Porcupine	Schumacher
Agincourt	Elliot Lake	London	Port Elgin	Senneterre
Ajax	Etobicoke		Port Hope	Shillington
Amos		Maple	Powassan	South Porcupine
Ansonville	Fort Erie	Milton	Prince George	Stratford
	Fort St. James	Montreal	Prince Rupert	Sudbury
Balmertown	Fredericton	Murdochville		Sunny Brae
Belleville	Galt		Quebec	Swastika
Bourlamaque	Gananoque	New Liskeard		
Brantford	Guelph	Newmarket	Red Lake	Thornbury
Brockville		New Westminster	Rexdale	Timmins
Burlington	Haileybury	Niagara Falls	Richmond	Toronto
	Halifax	Noranda	Richmond Hill	Truro
Calgary	Hamilton	North Bay	Rimouski	
Chibougamau	Hope		Rock Island	Val d'Or
Clarkson	Hull	Oakville	Rouyn	Vancouver
Cobalt		Orillia	Roxboro	Victoria
Cooksville	Ingersoll	Oshawa		
		Ottawa	St. Catharines	Walkerville
Don Mills	Kingston	Owen Sound	St. Johns	Waterloo
Dorval	Kirkland Lake		St. Thomas	Welland
Downsview	Kitchener	Peterborough	Sarnia	Weston
Dryden	Lachine	Pickering	Saskatoon	Willowdale
Dundas	Lachute	Plessisville	Sault Ste. Marie	Windsor
Dunnville	LaSalle	Pointe Claire	Scarborough	Winnipeg

Number of Communities, Companies and Individuals through whom Supplies and Services are Purchased

	Communities	Companies and Individuals
Alberta	2	5
British Columbia	7	21
Manitoba	1	4
New Brunswick	1	1
Nova Scotia	3	6
Ontario	71	450
Quebec	22	69
Saskatchewan	1	2
United States of America	14	16
Great Britain	2	2
	<u>124</u>	<u>576</u>

Dome Exploration (Canada) Limited

(Incorporated under the laws of Canada)

REPORT OF THE PRESIDENT

Toronto, Ontario,
March 1, 1966.

To the Chairman of the Board and Directors of
Dome Mines Limited:

During the year under review, 114 properties and exploration proposals were brought to the attention of the Company. Thirty properties were examined.

As approved at the Annual Meeting of Dome Mines Limited in April, 1959, all new exploration ventures entered into for a period of five years after January 1, 1959, and thereafter on a yearly basis, are shared with the subsidiary companies, Campbell Red Lake Mines Limited and Sigma Mines (Quebec) Limited. In the following notes the various exploration endeavours will be designated as "joint" to signify the subsidiaries' participation.

QUEBEC:

Your Company maintained two prospecting parties throughout the field season. One party worked in an area in which copper mineralization had been reported by the Quebec Department of Natural Resources. The other party did general prospecting with particular emphasis on geophysics. Nothing of economic interest was discovered. These were "joint" ventures.

ONTARIO:

Your Company continued its participation in the Ivanhoe Syndicate which investigated by airborne geophysics a large area lying to the west of Timmins. The drilling program and field work ended during the year. Fifteen anomalies were diamond drilled with twenty-two holes totalling 8,390 feet. An additional three anomalies were trenched and sampled. No ore bodies were discovered. This was a "joint" venture.

Your Company continued to participate in two projects covering areas to the northeast of Timmins. Diamond drilling was done to investigate geophysical anomalies but nothing of economic interest was found. These were "joint" ventures.

Your Company continued to participate with others in exploring a group of claims in Ben Nevis Township. An induced polarization survey was completed and a hole drilled to investigate the source of a weak anomaly. Nothing of economic interest was intersected and the option on the property was dropped. This was a "joint" venture.

Your Company optioned a group of claims to the east of Red Lake. The claims covered a series of showings of narrow quartz veins containing silver and gold. Prospecting and trenching failed to extend substantially the original showing. Work will be continued in the search for parallel occurrences. This is a "joint" venture.

Your Company continued its participation with others in the exploration at depth of the property of Robin Red Lake Mines Limited in the Red Lake district. Underground work carried out from the 23rd level of Dickenson Mines Limited totalled 189.3 feet of crosscutting and 684.0 feet of drifting. This work at a vertical depth of 3,365 feet disclosed the following zones: 0.40 oz. of gold per ton over a width of 5.0 feet for a length of 45 feet; 0.44 oz. of gold per ton over a width of 5.0 feet for a length of 45 feet; and 0.82 oz. of gold per ton over a width of 7.5 feet for a length of 101 feet.

NOVA SCOTIA:

In partnership with others in Nova Scotia your Company carried out a mineral exploration venture depending on geochemistry followed by geophysics and diamond drilling. Nothing of interest was discovered and the project was terminated. This was a "joint" venture.

BRITISH COLUMBIA AND THE YUKON:

Your Company is participating with others in Coranex Exploration Limited which was incorporated to carry on regional prospecting and mineral exploration in the Cordilleran area of British Columbia and the Yukon. This is a large scale project and the year 1965 was the first of a three-year commitment. This is a "joint" venture.

Your Company participated with others in a geochemical prospecting venture in central British Columbia.

ALASKA:

Your Company continued to participate with others in a modest mineral exploration endeavour in the State of Alaska. Among the several projects was the continuation of diamond drilling on the Denali property where several holes encountered good grade copper mineralization which appears to be irregular and discontinuous. More work will be required to evaluate the claims.

Other projects of this venture were the staking and prospecting of claims in the coastal area and a helicopter supported prospecting project in the interior.

GENERAL:

Various participations were taken in prospecting ventures organized by individual prospectors and others in Ontario and Saskatchewan and the Northwest Territories.

Yours faithfully,

JAMES B. REDPATH,
President.

SIGMA MINES (QUEBEC) LIMITED

(No Personal Liability)

Report to Shareholders

For the Financial Year Ended December 31

1 9 6 5

SIGMA MINES (QUEBEC) LIMITED

(No Personal Liability)

(Incorporated under the laws of Quebec)

HEAD OFFICE AND LOCATION OF MINE
Township of Bourlamaque, County of Abitibi, Province of Quebec
(Post Office: Bourlamaque, Quebec, Canada)

ADDRESS OF THE CHAIRMAN OF THE BOARD
42 Wall Street, New York 5, N.Y.

ADDRESS OF THE PRESIDENT
360 Bay Street, Suite 702, Toronto 1, Ont.

ADDRESS OF THE SECRETARY
36 Toronto Street, Toronto 1, Ont.

REGISTRAR AND TRANSFER AGENT
Canada Permanent Trust Company
253 Bay Street, Toronto, and 600 Dorchester Blvd. West, Montreal 2

DIRECTORS

Clifford W. Michel	New York, N.Y.
Hector Authier	Montreal, Que.
Louis Brochu	Montreal, Que.
James B. Redpath	Toronto, Ont.
Frank J. O'Connell	Bourlamaque, Que.
Bryce R. MacKenzie	Toronto, Ont.
Fraser M. Fell	Toronto, Ont.

OFFICERS

Chairman of the Board	Clifford W. Michel
President	James B. Redpath
Secretary	Bryce R. MacKenzie
Assistant Secretary	Fraser M. Fell
General Manager	Frank J. O'Connell
Assistant General Manager	Geo. E. Peacock

AUDITORS

Clarkson, Gordon & Co., Toronto 1, Ontario

GENERAL COUNSEL

Fasken, Calvin, MacKenzie, Williston & Swackhamer
36 Toronto Street, Toronto 1, Ontario

COMPARATIVE SUMMARY

	1965	1964
Tonnage Milled	431,638	439,134
Ounces Gold Produced	77,347	77,849
Average Price of Gold per ounce	\$37.73	\$37.74
Value of Bullion	\$2,937,399	\$2,958,615
Operating Costs	\$2,651,149	\$2,736,258
Net Income	\$ 440,819	\$ 393,301
Net Income per share	\$0.44	, \$0.39
Current Assets	\$2,727,739	\$2,547,246
Current Liabilities	\$ 461,773	\$ 469,277
Working Capital	\$2,265,966	\$2,077,969
Number of Shareholders — December 31	929	762
Dividends Declared	\$ 300,000	\$ 300,000
Dividends declared per share	\$0.30	\$0.30
Shares Issued	1,000,000	1,000,000

REPORT OF THE DIRECTORS

of

Sigma Mines (Quebec) Limited

(No Personal Liability)

(For the Financial Year Ended December 31, 1965)

Toronto, Ontario,
March 1, 1966.

To the Shareholders of
Sigma Mines (Quebec) Limited
(No Personal Liability):

Your Directors herewith submit the Company's Balance Sheet and Statements of Income and Earned Surplus together with a Statement of Source and Application of Funds, all certified by the Auditors of the Company, and the Report of the General Manager, covering the financial year ended December 31, 1965.

The gross production for 1965 was 77,347 ounces of gold as compared with 77,849 ounces for 1964.

The operating profit before deducting depreciation, tax under the Quebec Mining Act, outside exploration expenses and provision for income taxes was \$738,650. The non-operating revenue amounted to \$103,452. These combined gave a total of \$842,102. Depreciation amounted to \$208,920. Outside exploration expenses amounted to \$23,063 leaving profits of \$610,119 before Federal and Provincial taxes. After providing \$169,300 for such taxes, the net income amounted to \$440,819 as compared with \$393,301 a year ago. Dividends totalling \$300,000 were declared during the year.

Ore reserves stand at 1,369,900 tons, a slight decrease from the preceding year.

Production for the year was sold to the Royal Canadian Mint at an average price of \$37.73 and on this production an additional \$5.85 per ounce was received under the Emergency Gold Mining Assistance Act. Thus, the return for the year, including Emergency Gold Mining Assistance benefits, was \$43.58 per ounce as compared with \$43.15 in 1964.

The cost of operation decreased slightly due to the completion of the shaft sinking program. Development of the lower levels served by No. 3 Shaft had not advanced sufficiently by the end of the year to give an indication of the future productivity of these levels.

The cost of materials and labour continues to increase reflecting the economic condition of the country. The year 1966 will see substantial increases in the rate of the Provincial Mining Duties and additional taxes for social services. The forty-hour week will also be implemented early in 1966. All of these factors will be reflected

in an increase in the cost of production. The present formula for the Emergency Gold Mining Assistance Act was established in 1958 and should be carefully considered by government with a view to a further revision to take realistic cognizance of the cost increases which have taken place since that time.

The Company continued to participate to the extent of 10% with Dome Mines Limited in a number of prospecting ventures, details of which appear on page twelve of this report.

With regard to our product, gold, the following paragraph is quoted from the annual report of the parent company, Dome Mines Limited:

"During the past year the basic problems of the International Monetary system came no nearer to solution. While the 1964-1965 Sterling crisis, which threatened a devaluation of the pound, was averted and while the United States Balance of Payments deficit in 1965 was reduced to \$1,300 million from \$2,800 million the year before, the gold outflow from the United States continued. At the end of last year that country's gold reserves, down by about \$1,500 million in 1965, were below \$14,000 million, or about 40% below their post-war highs. Proposals to create new forms of international reserves, other than gold, abound but the likelihood of the central banks placing their trust in some new form of reserves is made doubtful by their very own actions in cashing in their dollar claims for American gold during the period of that country's Balance of Payments deficit. The fact of the matter is that in the minds of Monetary managers, gold is the ultimate reserve in time of monetary crises and gold is becoming a scarce commodity with all of last year's new production finding its way into private hands and not into the reserves of the central banks or the International Monetary Fund. The official United States view that the price of gold is immutable does not conform with a fundamental law of economics that scarcities are corrected by raising the price of the article sought."

Your Directors again wish to record their appreciation for the effective planning and direction by management and staff and to thank all employees for their loyalty and untiring efforts to increase the efficiency of the Company's operations.

Respectfully submitted,

On behalf of the Board,

CLIFFORD W. MICHEL,

Chairman

JAMES B. REDPATH,

President.

SIGMA MINES (Q

(No Persona

(Incorporated under

BALANCE SHEET,

(with comparative figures

ASSETS		1965	1964
Current Assets:			
Cash, including bank term deposits		\$ 447,472	\$ 665,037
Bullion on hand and in transit, at net realizable value		98,015	124,769
Short term commercial paper, at cost		886,218	595,718
Government bonds, at cost (quoted market value 1965 — \$1,045,425)		1,089,810	992,975
Accounts receivable (including accrued interest and estimated amount receivable under the Emergency Gold Mining Assistance Act)		206,224	168,747
		<u>2,727,739</u>	<u>2,547,246</u>
Capital Assets:			
Buildings, machinery and equipment, at cost		4,169,444	4,034,261
Less accumulated depreciation		3,666,835	3,476,462
		<u>502,609</u>	<u>557,799</u>
Mining claims and properties —			
Acquired for 400,000 shares, issued at ..		400,000	400,000
Other properties, at cost		61,500	61,500
(No deduction has been made for ores mined)			
		<u>461,500</u>	<u>461,500</u>
Leasehold properties		21,500	21,500
		<u>985,609</u>	<u>1,040,799</u>
Other Assets:			
Mining and milling supplies, at cost		408,165	423,889
Prepaid expenses		7,555	14,819
		<u>415,720</u>	<u>438,708</u>
		<u>\$4,129,068</u>	<u>\$4,026,753</u>

AUDITORS

To the Shareholders of
Sigma Mines (Quebec) Limited:

We have examined the balance sheet of Sigma Mines (Quebec) Limited at December 31, 1965 and the related statements of income, earned surplus and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

QUEBEC) LIMITED

ability)

e laws of Quebec)

DECEMBER 31, 1965

December 31, 1964)

LIABILITIES

Current Liabilities:

	1965	1964
Salaries and wages payable	\$ 107,896	\$ 97,127
Accounts payable	77,804	121,007
Accrued charges	38,853	40,119
Accrued taxes	87,220	61,024
Dividend payable	150,000	150,000
	<u>461,773</u>	<u>469,277</u>

Deferred Income Taxes	65,000	96,000
-----------------------------	--------	--------

Capital and Surplus:

Capital authorized and issued —		
1,000,000 shares of \$1 par value	1,000,000	1,000,000
Earned surplus	2,602,295	2,461,476
	<u>3,602,295</u>	<u>3,461,476</u>

On behalf of the Board:

J. B. REDPATH, Director.

B. R. MacKENZIE, Director.

\$4,129,068

\$4,026,753

REPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of income, earned surplus and source and application of funds present fairly the financial position of Sigma Mines (Quebec) Limited at December 31, 1965, the results of its operations and the sources and applications of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1966.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Sigma Mines (Quebec) Limited

(No Personal Liability)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

	1965	1964
Revenue:		
Bullion	\$2,937,399	\$2,958,615
Expenditures:		
Development (including expenditures on shaft sinking 1965 — \$42,088; 1964 — \$242,753)	617,314	781,164
Mining	1,365,580	1,289,031
Reduction	441,586	446,190
Refining and marketing	20,011	20,321
General and administrative	174,266	166,774
Taxes other than income	32,392	32,778
	2,651,149	2,736,258
Less credit under the Emergency Gold Mining Assistance Act	452,400	421,000
	2,198,749	2,315,258
	738,650	643,357
Deduct:		
Provision for depreciation	208,920	209,069
Provision for tax under the Quebec Mining Act	22,800	18,500
Outside exploration expenses	23,063	32,174
	254,783	259,743
Operating profit	483,867	383,614
Add interest earned, etc.	103,452	82,187
Income before provision for income taxes	587,319	465,801
Provision for income taxes	146,500	72,500
Net income for the year	\$ 440,819	\$ 393,301

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

	1965	1964
Balance January 1	\$2,461,476	\$2,368,175
Add net income for the year	440,819	393,301
	2,902,295	2,761,476
Deduct dividends declared — 30¢ per share	300,000	300,000
Balance December 31	\$2,602,295	\$2,461,476

Sigma Mines (Quebec) Limited

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

	1965	1964
Source of funds:		
Net income for year	\$ 440,819	\$ 393,301
Depreciation	208,920	209,069
Decrease in deferred income taxes	(31,000)	(34,500)
Decrease (increase) in other assets	22,988	(37,185)
Total	641,727	530,685
Application of funds:		
Dividends	300,000	300,000
Expenditures on capital assets (net)	153,730	95,456
Total	453,730	395,456
Net increase in working capital for year	187,997	135,229
Working capital, January 1	2,077,969	1,942,740
Working capital, December 31	\$2,265,966	\$2,077,969

REPORT OF THE GENERAL MANAGER

To the Chairman of the Board, President and Directors:

The following report covering the operations of your Company during the year 1965 is submitted for your consideration.

During the year 493,158 tons of rock were hoisted, of which 431,638 tons were ore which was treated in the mill and 61,520 tons were waste.

The 431,638 tons of ore milled yielded bullion containing 77,347 ounces of gold, the average yield being 0.1792 ounces or 3.58 pennyweights per ton. All grades of ore will be expressed in pennyweights (dwt.) throughout this report. One pennyweight equals one-twentieth (1/20th) of an ounce Troy weight. The price paid by the Royal Canadian Mint is based on \$35.00 per ounce United States funds and settlements are made in equivalent Canadian funds at current exchange rates. The average price received for gold was \$37.73 per ounce compared with \$37.74 per ounce for the previous year.

MINING:

Broken ore totalling 454,300 tons remains in the stopes and in drifts as a result of stope preparation, a decrease of 45,630 tons from the previous year.

In all 406,570 tons of a grade of 3.82 dwt. were drawn from the stopes and were sent to the mill. This represents a decrease of 1,591 tons from the previous year.

Waste rock produced amounted to 62,715 tons of which 1,195 tons were dumped directly into empty stopes, and 61,520 tons were hoisted to surface. Waste backfill returned through raises from surface amounted to 8,061 tons and 113,923 tons of hydraulic backfill were piped underground.

The main stoping operations were between the 24th level and the 8th level; 30.3 per cent of production came from cut-and-fill stopes between the 24th level and the 17th level.

DEVELOPMENT:

A total of 17,528 feet of development work was done during the year. The greater part of this work was distributed between the 14th and 34th levels.

The deepening of No. 3 Internal Shaft to a depth of 5,081 feet was completed in February. Development of the new levels was started in April with the opening up of the 31st level, and the levels below this down to the 35th level were opened in rotation in the succeeding months.

The main ventilation raise was extended down to the 30th level.

Diamond drilling totalling 51,260 feet was done in search for new ore and as a guide to mining.

The following table shows the details of development and diamond drilling completed during the year:

SUMMARY OF DEVELOPMENT FOOTAGE BY LEVELS FOR YEAR 1965

Level	Shafts	Stations	Drifts	Crosscuts	Raises	Slash	Total	Diamond Drilling
11th	-----	-----	-----	-----	153	5	158	-----
12th	-----	-----	94	-----	-----	-----	94	519
13th	-----	-----	34	62	-----	4	100	4,797
14th	-----	-----	1,285	227	-----	28	1,540	3,219
15th	-----	-----	392	20	267	54	733	4,714
16th	-----	-----	-----	-----	-----	-----	-----	1,668
17th	-----	-----	-----	163	376	47	586	4,086
18th	-----	-----	146	18	93	20	277	2,275
19th	-----	-----	1,565	-----	-----	91	1,656	5,600
20th	-----	-----	1,004	-----	136	49	1,189	1,141
21st	-----	-----	83	-----	-----	10	93	-----
22nd	-----	-----	433	-----	-----	9	442	646
23rd	-----	-----	990	-----	-----	28	1,018	-----
24th	-----	-----	473	-----	350	28	851	247
25th	-----	-----	359	-----	510	14	883	3,523
26th	-----	-----	40	-----	-----	-----	40	786
27th	-----	-----	-----	-----	-----	-----	-----	-----
28th	-----	-----	101	-----	384	13	498	-----
29th	-----	-----	1,044	107	356	68	1,575	6,323
30th	-----	-----	245	39	533	26	843	3,310
31st	-----	-----	812	101	187	105	1,205	294
32nd	-----	-----	1,079	326	40	97	1,542	1,419
33rd	-----	-----	768	587	-----	93	1,448	3,106
34th	-----	-----	286	258	-----	36	580	1,166
35th	-----	-----	-----	18	-----	-----	18	1,121
36th	-----	71	-----	-----	-----	-----	71	1,300
No. 3 Shaft	84	-----	-----	-----	-----	4	88	-----
Totals	84	71	11,233	1,926	3,385	829	17,528	51,260

ORE PRODUCTION:

The mine produced 431,638 tons of ore during the year which averaged 3.75 dwt. The stopes produced 406,570 tons averaging 3.82 dwt. and the development work produced 25,068 tons averaging 2.56 dwt.

ORE RESERVES:

The ore reserves are estimated at 1,369,900 tons, a decrease of 24,330 tons from last year. The reserves include 454,300 tons of broken ore.

A summary of the distribution of ore in place, broken ore and total ore mined to the end of 1965 is as follows:

SUMMARY OF ORE RESERVES AND EXTRACTION BY LEVELS

	Tons Ore In Place	Average Grade (Dwt. per ton)	Tons Broken Ore	Total Tons Ore Extracted From Stopes to End of 1965
Surface to 1st Level.....	5,000	8.11	-----	30,918
1st Level to 2nd Level.....	-----	-----	-----	493,191
2nd Level to 3rd Level.....	-----	-----	-----	1,021,610
3rd Level to 4th Level.....	-----	-----	-----	963,214
4th Level to 5th Level.....	-----	-----	-----	813,543
5th Level to 6th Level.....	-----	-----	-----	790,696
6th Level to 7th Level.....	-----	-----	-----	737,190
7th Level to 8th Level.....	2,000	4.38	9,700	817,978
8th Level to 9th Level.....	-----	-----	53,550	640,314
9th Level to 10th Level.....	18,100	4.11	41,850	362,210
10th Level to 11th Level.....	15,000	4.31	42,020	346,722
11th Level to 12th Level.....	28,900	3.53	113,540	372,569
12th Level to 13th Level.....	29,200	4.49	55,270	279,707
13th Level to 14th Level.....	75,100	5.06	27,330	186,725
14th Level to 15th Level.....	60,400	5.33	21,470	165,039
15th Level to 16th Level.....	5,600	3.56	29,900	403,783
16th Level to 17th Level.....	24,600	3.92	7,710	364,303
17th Level to 18th Level.....	133,500	4.72	21,600	215,448
18th Level to 19th Level.....	98,400	4.10	2,370	24,634
19th Level to 20th Level.....	25,600	3.74	9,050	124,171
20th Level to 21st Level.....	51,000	4.48	-----	6,121
21st Level to 22nd Level.....	64,800	4.71	16,250	63,828
22nd Level to 23rd Level.....	88,800	4.57	1,430	120,595
23rd Level to 24th Level.....	28,000	4.61	1,260	199,377
24th Level to 25th Level.....	28,300	4.55	-----	-----
25th Level to 26th Level.....	17,600	4.50	-----	-----
26th Level to 27th Level.....	21,800	3.90	-----	-----
27th Level to 28th Level.....	21,900	4.21	-----	-----
28th Level to 29th Level.....	43,200	4.78	-----	-----
29th Level to 30th Level.....	11,300	4.63	-----	-----
30th Level to 31st Level.....	5,000	4.64	-----	-----
31st Level to 32nd Level.....	7,900	4.00	-----	-----
32nd Level to 33rd Level.....	4,600	3.69	-----	-----
	915,600	4.54	454,300	9,543,886

MILL:

The following are the results of milling operations for the year 1965:

Average daily tons milled	1,183
Tons of ore treated	431,638
Average grade of ore treated	3.75 dwt. per ton
Recovery	3.58 dwt. per ton
Recovery percentage	95.68%

COSTS:

The expenditure on mining was \$1,365,580 or \$3.16 per ton milled.

The expenditure on development (including shaft sinking) was \$617,314 or \$1.43 per ton milled.

The operating costs including Mint handling charges were \$6.14 per ton milled, as compared with \$6.23 for the previous year.

CAPITAL EXPENDITURES:

Net capital expenditures for the year totalled \$153,730. The main expenditures were for hoisting ropes and attachments, permanent services and ventilation equipment for No. 3 Shaft, the installation of a larger mine ventilation fan on surface, and additional mine cars; spare parts and stand-by equipment for the mill; the replacement of a tractor loader and the installation of a new main water supply line.

The details of changes in the plant and equipment are as follows:

Additions:

Mine equipment	\$ 48,812
Reduction equipment	12,723
Surface equipment	101,072

\$ 162,607

Less net book value of retirements	8,877
--	-------

Net increase	<u>\$ 153,730</u>
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GAMMA MINES (QUEBEC) LIMITED:

This property was optioned to Sigma in December, 1939. The option is still in force. A total of 3,628 feet of diamond drilling was completed during the year from the 18th level, mainly to test a porphyry dyke with associated quartz stringers, and to test for parallel structure. Several intersections which averaged near ore grade were cut in the porphyry dyke.

The diamond drilling completed during the year is shown in detail as follows:

Diamond Drilling:	Year	Total to Date
Surface	—	33,531.0
Underground	3,628.0	15,978.5
	<u>3,628.0</u>	<u>49,509.5</u>

EXPLORATION:

Through joint participation in the exploration program of the parent company, Dome Mines Limited, your Company continued its 10% interest in the following:

Quebec:

A continued participation in two prospecting parties throughout the field season. One party worked in an area in which copper mineralization had been reported by the Quebec Department of Natural Resources. The other party did general prospecting with particular emphasis on geophysics. Nothing of economic interest was discovered.

Ontario:

A continued participation in the Ivanhoe Syndicate west of Timmins. The drilling program and field work ended during the year. Fifteen anomalies were diamond drilled with twenty-two holes

totalling 8,390 feet. An additional three anomalies were trenched and sampled. No ore bodies were discovered.

A continued participation in two projects covering areas to the northeast of Timmins. Diamond drilling was done to investigate geophysical anomalies but nothing of economic interest was found.

A continued participation in exploring a group of claims in Ben Nevis Township. An induced polarization survey was completed and a hole was drilled to investigate the source of a weak anomaly. Nothing of economic interest was intersected and the option was dropped.

The optioning of a group of claims to the east of Red Lake. The claims covered a series of showings of narrow quartz veins containing silver and gold. Prospecting and trenching failed to extend substantially the original showing. Work will be continued in the search for parallel occurrences.

Nova Scotia:

A participation in a mineral exploration venture in Nova Scotia depending on geochemistry followed by geophysics and diamond drilling. Nothing of interest was discovered and the project was terminated.

British Columbia and the Yukon:

A continued participation with others in Coranex Exploration Limited which was incorporated to carry on regional prospecting and mineral exploration in the Cordilleran area of British Columbia and the Yukon. This is a large scale project and the year 1965 was the first of a three-year commitment.

A participation with others in a geochemical prospecting venture in central British Columbia.

General:

Various participations in prospecting ventures organized by individual prospectors and others in Ontario and Saskatchewan and the Northwest Territories.

GENERAL:

Reduction of operating costs below last year's figure was due to completion of shaft sinking in the early part of the year. Otherwise costs increased, reflecting the established trend of higher labour and material costs.

Shortage of men available for underground work was experienced during the second half of the year. Competition from other industries in the larger centres was evident, and labour turnover was greater than in the past twelve years.

Appended to this report is a table setting forth the communities in which purchases were made, wages and salaries and distribution of taxes.

In conclusion, my sincere thanks and appreciation are extended to Mr. George E. Peacock, Assistant General Manager, to the heads of the various departments and to all members of the operating staff for their efficiency and loyalty.

Yours faithfully,

F. J. O'CONNELL,

General Manager.

Bourlamaque, Quebec,
February 21, 1966.

Sigma Mines (Quebec) Limited

(No Personal Liability)

Total supplies and services	\$1,200,440
Total amount of wages and salaries	1,613,720
Income taxes	146,500
Other taxes (Provincial and Municipal)	55,192

PRINCIPAL CITIES AND TOWNS IN CANADA WHICH BENEFIT

Ajax	Hamilton	Port Hope
Amos	Kirkland Lake	Quebec
Arnprior	Kitchener	Rexdale
Beloeil	Lachine	Rouyn
Belleville	Leaside	Sault Ste. Marie
Bourlamaque	London	Scarborough
Brampton	Louiseville	Sorel
Brantford	Malartic	St. Catharines
Burlington	Montreal	St. Johns
Cap-de-la-Madeleine	New Liskeard	St. Laurent
Clarkson	Noranda	Sudbury
Cobalt	North Bay	Swastika
Cooksville	Oakville	Thornbury
Don Mills	Orillia	Timmins
Dundas	Oshawa	Toronto
Elliot Lake	Ottawa	Val d'Or
Fort Erie	Owen Sound	Waterloo
Galt	Peterborough	Welland
Guelph	Pointe Claire	Weston
Haileybury	Port Arthur	Winnipeg

NUMBER OF COMMUNITIES, COMPANIES AND INDIVIDUALS THROUGH WHOM SUPPLIES AND SERVICES ARE PURCHASED

	Communities	Companies and Individuals
Quebec	16	172
Ontario	43	152
Manitoba	1	2
United States of America	4	4
	<u>64</u>	<u>330</u>

CAMPBELL RED LAKE MINES LIMITED

Report to Shareholders

For the Financial Year Ended December 31

1965

CAMPBELL RED LAKE MINES LIMITED

(Incorporated under the laws of Ontario)

LOCATION OF MINE

Township of Balmer, Red Lake Mining Division, Province of Ontario
(Post Office: Balmertown, Ontario, Canada)

ADDRESS OF THE CHAIRMAN OF THE BOARD

42 Wall Street, New York 5, N.Y.

HEAD OFFICE AND ADDRESS OF THE PRESIDENT

360 Bay Street, Suite 702, Toronto 1, Ont.

ADDRESS OF THE SECRETARY

36 Toronto Street, Toronto 1, Ont.

REGISTRARS

Canada Permanent Trust Company
253 Bay Street, Toronto 1, Ont.
Bankers Trust Company, 16 Wall Street, New York 15, N.Y.

TRANSFER AGENTS

The Sterling Trusts Corporation, 372 Bay Street, Toronto 1, Ont.
Empire Trust Company, 20 Broad Street, New York 5, N.Y.

DIRECTORS

Clifford W. Michel	New York, N.Y.
William F. James	Toronto, Ont.
John K. McCausland	Toronto, Ont.
James B. Redpath	Toronto, Ont.
Bryce R. MacKenzie	Toronto, Ont.

OFFICERS

Chairman of the Board	Clifford W. Michel
President	James B. Redpath
Secretary	Bryce R. MacKenzie
Treasurer	E. J. Andrecheck
General Manager	J. Chisholm
General Superintendent	M. A. Taschereau

AUDITORS

Clarkson, Gordon & Co., Toronto 1, Ontario

GENERAL COUNSEL

Fasken, Calvin, MacKenzie, Williston & Swackhamer
36 Toronto Street, Toronto 1, Ontario

It is recorded here that it is the intention of the present management to solicit proxies. The form of proxy and the proxy statement will accompany the Notice of Annual Meeting which is being mailed to all shareholders.

COMPARATIVE SUMMARY

	1965	1964
Tonnage Milled	257,406	258,534
Ounces Gold Produced	167,135	166,830
Average Price of Gold per ounce	\$37.98	\$37.92
Value of Bullion	\$6,358,435	\$6,339,480
Operating Costs	\$2,514,668	\$2,490,289
Net Income	\$2,442,062	\$2,404,507
Net Income per share	\$0.61	\$0.60
Current Assets	\$6,706,510	\$6,291,353
Current Liabilities	\$1,520,869	\$1,618,759
Working Capital	\$5,185,641	\$4,672,594
Number of Shareholders — December 31	4,661	4,283
Dividends Declared	\$1,999,750	\$1,999,750
Dividends declared per share	\$0.50	\$0.50
Shares Issued	3,999,500	3,999,500

REPORT OF THE DIRECTORS
of
Campbell Red Lake Mines Limited
(For the Financial Year Ended December 31, 1965)

Toronto, Ontario,
March 1, 1966.

To the Shareholders of
Campbell Red Lake Mines Limited:

Your Directors herewith submit the Company's Balance Sheet and Statements of Income and Earned Surplus together with a Statement of Source and Application of Funds, all certified by the Auditors of the Company and the Report of the General Manager, covering the financial year ended December 31, 1965.

The gross production for 1965 was 167,135 ounces of gold, as compared to 166,830 ounces for 1964.

The operating profit before deducting depreciation, tax under The Mining Tax Act, outside exploration expenses and provision for taxes on income was \$3,843,767. The non-operating revenue was \$254,356. These combined gave a total of \$4,098,123. Depreciation charges, tax under The Mining Tax Act, outside exploration expenses and provision for taxes on income amounted to \$1,656,061 leaving net income of \$2,442,062 as compared to \$2,404,507 a year ago.

Regular quarterly dividends were maintained at 11¼¢ per share, and after considering the maintenance of profits, your Directors authorized an extra dividend of 5¢ per share. Therefore, the total dividends declared amounted to \$1,999,750 or 50¢ per share.

The tonnage milled during 1965 totalled 257,406 tons which represents an average milling rate of 705 tons per day. The yield per ton was 12.99 dwt. as compared with 12.91 dwt. in 1964.

Ore reserves showed a slight increase to 1,176,300 tons, with the ore in place showing a grade of 13.55 dwt. Development results continued to be satisfactory and are covered in detail in the General Manager's Report.

No benefits were received under the Emergency Gold Mining Assistance Act as the cost per ounce of gold produced was lower than the amount required to qualify under the Act. As your Company was not eligible for such benefits, it was possible to offer gold to markets other than the Royal Canadian Mint. The average price received on all production was \$37.98 Canadian per ounce.

Taxes under the Federal Income Tax Act, the Provincial Corporations Tax Act and the Ontario Mining Tax Act total \$1,449,000.

The Company continued to participate to the extent of 30% with Dome Mines Limited in a number of prospecting ventures, details of which appear on page twelve of this report.

With regard to our product, gold, the following paragraph is quoted from the annual report of the parent company, Dome Mines Limited:

"During the past year the basic problems of the International Monetary system came no nearer to solution. While the 1964-1965 Sterling crisis, which threatened a devaluation of the pound, was averted and while the United States Balance of Payments deficit in 1965 was reduced to \$1,300 million from \$2,800 million the year before, the gold outflow from the United States continued. At the end of last year that country's gold reserves, down by about \$1,500 million in 1965, were below \$14,000 million, or about 40% below their post-war highs. Proposals to create new forms of international reserves, other than gold, abound but the likelihood of the central banks placing their trust in some new form of reserves is made doubtful by their very own actions in cashing in their dollar claims for American gold during the period of that country's Balance of Payments deficit. The fact of the matter is that in the minds of Monetary managers, gold is the ultimate reserve in time of monetary crises and gold is becoming a scarce commodity with all of last year's new production finding its way into private hands and not into the reserves of the central banks or the International Monetary Fund. The official United States view that the price of gold is immutable does not conform with a fundamental law of economics that scarcities are corrected by raising the price of the article sought."

At this time your Directors wish to record their appreciation for the effective efforts of management and staff and for the continued loyal service which all employees render to the Company.

Respectfully submitted,

On behalf of the Board,

CLIFFORD W. MICHEL,
Chairman.

JAMES B. REDPATH,
President.

CAMPBELL RED LAKE

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET,

(with comparative figures for 1964)

ASSETS

Current Assets:

	1965	1964
Cash, including bank term deposits	\$ 743,351	\$ 735,219
Bullion on hand and in transit, at estimated net realizable value	1,173,510	184,513
Short term commercial paper, at cost	2,300,601	2,577,615
Government and government guaranteed short term bonds, at cost (market value 1965 — \$2,385,404)	2,373,322	2,708,790
Accounts receivable (including accrued interest)	115,726	85,216
	<u>6,706,510</u>	<u>6,291,353</u>

Capital Assets:

Buildings, machinery and equipment, at cost	6,416,094	6,335,537
Less accumulated depreciation	5,808,472	5,727,310
	<u>607,622</u>	<u>608,227</u>
Mining claims and properties — acquired for 1,277,500 shares issued at	197,500	197,500
(No deduction has been made for ores mined)		
Townsite land, at cost	114,066	114,066
	<u>919,188</u>	<u>919,793</u>

Other Assets:

Sundry investments —		
Local school and municipal debentures, at cost	36,000	42,600
Shares of other mining companies, at cost less amounts written off	1	1
	<u>36,001</u>	<u>42,601</u>
Mining and milling supplies, at cost	588,903	646,951
Deposits and prepaid expenses	24,566	30,798
Non-current accounts receivable	243,951	233,201
	<u>893,421</u>	<u>953,551</u>
	<u>\$8,519,119</u>	<u>\$8,164,697</u>

AUDITORS

To the Shareholders of
Campbell Red Lake Mines Limited:

We have examined the balance sheet of Campbell Red Lake Mines Limited at December 31, 1965 and the related statements of income, earned surplus and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

CAMPBELL RED LAKE MINES LIMITED

(Incorporated in the Province of Ontario)

STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 1965

(In comparison with the statement of financial position at December 31, 1964)

LIABILITIES

Current Liabilities:

	1965	1964
Salaries and wages payable	\$ 62,390	\$ 66,061
Accounts payable	101,662	138,842
Accrued charges	29,255	49,792
Accrued taxes	677,643	714,145
Dividend payable	649,919	649,919
	<u>1,520,869</u>	<u>1,618,759</u>

Deferred Income Taxes	53,000	43,000
	<u>53,000</u>	<u>43,000</u>

Capital and Surplus:

Capital —

Authorized: 4,000,000 shares of \$1 each

Issued: 3,999,500 shares

Discount (net) on shares issued

	1,620,595	1,620,595
Earned surplus	5,324,655	4,882,343
	<u>6,945,250</u>	<u>6,502,938</u>

On behalf of the Board:

J. B. REDPATH, Director.

B. R. MacKENZIE, Director.

\$8,519,119 \$8,164,697

REPORT

In our opinion the accompanying balance sheet and statements of income, earned surplus and source and application of funds present fairly the financial position of Campbell Red Lake Mines Limited at December 31, 1965, the results of its operations and the sources and applications of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1966.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Campbell Red Lake Mines Limited

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

Revenue:	1965	1964
Bullion	\$6,358,435	\$6,339,480
Expenditures:		
Development	630,953	612,178
Mining	900,980	955,675
Reduction	609,532	584,595
Refining and marketing	55,968	53,495
General and administrative	291,355	260,414
Taxes other than income	25,880	23,932
	2,514,668	2,490,289
	3,843,767	3,849,191
Deduct:		
Provision for depreciation	156,310	179,731
Provision for tax under The Mining Tax Act	299,000	293,000
Outside exploration expenses	50,751	57,855
	506,061	530,586
Operating profit	3,337,706	3,318,605
Add interest earned, etc.	254,356	245,902
Income before provision for income taxes	3,592,062	3,564,507
Provision for income taxes	1,150,000	1,160,000
Net income for the year	\$2,442,062	\$2,404,507

Notes:

- (1) The company received no credits during the year under the Emergency Gold Mining Assistance Act.
- (2) Directors' fees paid in 1965 totalled \$2,000.

Campbell Red Lake Mines Limited

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

	1965	1964
Balance, January 1	\$4,882,343	\$4,477,586
Add net income for the year	2,442,062	2,404,507
	7,324,405	6,882,093
Deduct dividends declared of 50¢ per share comprising four quarterly dividends of 11¼¢ each and an extra dividend of 5¢	1,999,750	1,999,750
Balance, December 31	<u>\$5,324,655</u>	<u>\$4,882,343</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1965 (with comparative figures for the year 1964)

Source of funds:	1965	1964
Net income for year	\$2,442,062	\$2,404,507
Depreciation	156,310	179,731
Increase in deferred income taxes	10,000	
Decrease (increase) in other assets	60,130	(131,129)
Total	<u>2,668,502</u>	<u>2,453,109</u>
Application of funds:		
Dividends	1,999,750	1,999,750
Expenditures on capital assets (net)	155,705	150,222
Total	<u>2,155,455</u>	<u>2,149,972</u>
Net increase in working capital for year	513,047	303,137
Working capital, January 1	4,672,594	4,369,457
Working capital, December 31	<u>\$5,185,641</u>	<u>\$4,672,594</u>

Campbell Red Lake Mines Limited

REPORT OF THE GENERAL MANAGER

To the Chairman of the Board, President and Directors:

The following report covering the operations of your Company during the year 1965 is submitted for your consideration.

During the year 279,978 tons were hoisted, of which 257,406 tons were ore and 22,572 tons were waste.

The 257,406 tons of ore milled yielded bullion containing 167,135 ounces of gold, the average yield being 0.6493 ounces or 12.99 pennyweights per ton. All grades of ore will be expressed in pennyweights (dwt.) throughout this report. One pennyweight equals one-twentieth (1/20th) of an ounce Troy weight. The price paid by the Royal Canadian Mint is based on \$35.00 per ounce United States funds and settlements are made in equivalent Canadian funds at the current exchange rates. Free market prices are by direct negotiation between buyer and seller. The price received on all production during the year averaged \$37.98 Canadian per ounce.

MINING:

In all 211,467 tons of a grade of 13.72 dwt. were drawn from the stopes and sent to the mill.

Broken ore totalling 207,200 tons remains in the stopes, a decrease of 38,300 tons from the previous year. As the use of the cut-and-fill method of mining increases there is a corresponding decrease in the amount of broken ore remaining in the stopes.

The main stoping operations were above the 11th level or 1600-foot horizon. At the end of the year 15% of mining was by cut-and-fill stoping with preparations for a steadily increasing use of this method of mining.

DEVELOPMENT:

Development was distributed from the 6th to the 18th level. The "A" Zone now developed to the east boundary on the 15th and 16th levels showed normal ore conditions. The downward extension of the "G" Zone

SUMMARY OF DEVELOPMENT FOOTAGE BY LEVELS FOR YEAR 1965

Level	Drifts	Crosscuts	Raises	Slabbing	Totals	Diamond Drilling
Surface						
1st						
2nd				8	8	
3rd						691
4th						846
5th						226
6th	87			11	98	5,212
7th	272		137	62	471	1,767
8th			584	141	725	4,844
9th	735	49	165	72	1,021	2,583
10th	504		408	128	1,040	2,422
11th	189	127	185	91	592	1,141
12th	522		533	100	1,155	1,815
13th	995	72	370	113	1,550	722
14th	696		751	154	1,601	3,442
15th	2,150		456	232	2,838	8,795
16th	1,639			142	1,781	8,169
17th	924	122		84	1,130	5,016
18th	279			23	302	1,972
19th				87	87	
20th						
21st						615
Totals	8,992	370	3,589	1,448	14,399	50,278

was also developed on these levels. Also of interest was a program of drifting and diamond drilling in the east end of the "L" Zone to assess a complex of veins which are located east of the shaft.

Exploration of the northwestern part of the property on the 14th level continued chiefly by the use of long lateral diamond drill holes. Irregular values were obtained but no ore structure was indicated.

Diamond drilling totalling 50,278 feet was done as a guide to development and mining.

The table on page ten shows details of development and diamond drilling completed during the year.

ORE PRODUCTION:

The mine produced 257,406 tons of ore during the year which averaged 13.96 dwt. The stopes produced 211,467 tons averaging 13.72 dwt. and development work produced 45,939 tons averaging 15.03 dwt.

ORE RESERVES:

The ore reserves are estimated at 1,176,300 tons, an increase of 3,200 tons over last year. The ore reserves include 207,200 tons of broken ore.

A summary of the distribution of ore in place, broken ore and total ore extracted from stopes to the end of 1965 is as follows:

SUMMARY OF ORE RESERVES AND EXTRACTION BY LEVELS

	Tons Ore in Place	Average Grade (dwt. per ton)	Tons Broken Ore	Total Tons Ore Extracted From Stopes to End of 1965
Surface to 1st Level.....	8,100	12.08	-----	245,845
1st Level to 2nd Level.....	16,800	12.00	-----	310,832
2nd Level to 3rd Level.....	29,100	11.00	11,300	304,041
3rd Level to 4th Level.....	28,700	9.82	9,200	409,948
4th Level to 5th Level.....	37,600	11.90	34,900	394,469
5th Level to 6th Level.....	68,800	15.13	29,800	387,660
6th Level to 7th Level.....	137,400	13.40	39,000	325,740
7th Level to 8th Level.....	72,800	12.01	14,300	271,823
8th Level to 9th Level.....	69,700	14.21	31,500	182,330
9th Level to 10th Level.....	74,100	15.74	27,000	117,824
10th Level to 11th Level.....	66,800	12.56	-----	23,218
11th Level to 12th Level.....	78,300	12.02	-----	19,551
12th Level to 13th Level.....	98,900	14.73	10,200	16,684
13th Level to 14th Level.....	149,200	15.25	-----	30,408
14th Level to 15th Level.....	32,800	10.78	-----	-----
	969,100	13.55	207,200	3,040,373

Ore in Place 969,100

Broken Ore 207,200

1,176,300

Increase over 1964 is 3,200 tons.

MILL:

The following are the results of milling operations:

Tons of ore treated	257,406 tons
Average tons per calendar day	705 tons
Average grade of ore treated	13.96 dwt. per ton
Recovery	12.99 dwt. per ton
Recovery percentage	93.05%

COSTS:

The expenditure on mining was \$900,980 or \$3.50 per ton milled.

The expenditure on development was \$630,953 or \$2.45 per ton milled.

Operating costs (including Mint handling charges) were \$9.77 per ton milled.

CAPITAL EXPENDITURES:

Net capital expenditures for the year were \$155,705. This amount covered additions to surface and underground plant and equipment. Main items include partial completion of the 20th Level Crusher Station, general underground equipment, additions to the electrical shop and to the roaster building, replacement of a heavy truck; additions to present dwellings and three new dwellings in the townsite for resale to employees.

The details of changes in plant buildings and equipment are as follows:

Additions:

Mine Equipment	\$ 26,575
Reduction building and equipment	14,569
Surface buildings and equipment	114,561
	<hr/>
	\$ 155,705
Less net book value of retirements	Nil
	<hr/>
Net increase	<u>\$ 155,705</u>

EXPLORATION:

Through joint participation in the exploration program of the parent company, Dome Mines Limited, your Company continued its 30% interest in the following:

Quebec:

A continued participation in two prospecting parties throughout the field season. One party worked in an area in which copper mineralization had been reported by the Quebec Department of Natural Resources. The other party did general prospecting with particular emphasis on geophysics. Nothing of economic interest was discovered.

Ontario:

A continued participation in the Ivanhoe Syndicate west of Timmins. The drilling program and field work ended during the year. Fifteen anomalies were diamond drilled with twenty-two holes totalling 8,390 feet. An additional three anomalies were trenched and sampled. No ore bodies were discovered.

A continued participation in two projects covering areas to the northeast of Timmins. Diamond drilling was done to investigate geophysical anomalies but nothing of economic interest was found.

A continued participation in exploring a group of claims in Ben Nevis Township. An induced polarization survey was completed and a hole was drilled to investigate the source of a weak anomaly. Nothing of economic interest was intersected and the option was dropped.

The optioning of a group of claims to the east of Red Lake. The claims covered a series of showings of narrow quartz veins containing silver and gold. Prospecting and trenching failed to extend substantially the original showing. Work will be continued in the search for parallel occurrences.

Nova Scotia:

A participation in a mineral exploration venture in Nova Scotia depending on geochemistry followed by geophysics and diamond drilling. Nothing of interest was discovered and the project was terminated.

British Columbia and the Yukon:

A continued participation with others in Coranex Exploration Limited which was incorporated to carry on regional prospecting and mineral exploration in the Cordilleran area of British Columbia and the Yukon. This is a large scale project and the year 1965 was the first of a three-year commitment.

A participation with others in a geochemical prospecting venture in central British Columbia.

General:

Various participations in prospecting ventures organized by individual prospectors and others in Ontario and Saskatchewan and the Northwest Territories.

GENERAL:

A greater production of ore from the somewhat refractory "Altered Rock" Zones led to a decrease of 0.51% in milling recovery.

Costs were adversely affected by higher wages and increased fringe benefits to all employees, and by the increased cost of maintenance as plant and dwellings increase in age.

In addition there is a distinct shortage of labour which increased in severity during the year. Men available were less experienced than in normal times and the resultant inefficiency also affected costs. The unavailability of experienced men was the most serious problem faced by your Company during the past year, and undoubtedly will be the most serious problem to be faced in the coming year.

Appended to this report is a table setting forth the communities in which purchases were made, wages and salaries and distribution of taxes.

It is a pleasure to record my appreciation to Mr. M. A. Taschereau, General Superintendent, and to the heads of the various departments and operating staff for the loyal and efficient services rendered by them to the Company.

Yours faithfully,

J. CHISHOLM,

General Manager.

Balmertown, Ontario,
February 21, 1966.

Campbell Red Lake Mines Limited



Total supplies and services	\$1,655,436
Total amount of wages and salaries	1,361,925
Income taxes	1,150,000
Other taxes (Provincial and Municipal)	324,880

PRINCIPAL CITIES AND TOWNS IN CANADA WHICH BENEFIT

Balmertown	Galt	North Bay	Sarnia
Belleville	Granby	Oakville	Scarborough
Burlington	Haileybury	Orillia	St. Boniface
Calgary	Hamilton	Oshawa	St. Catharines
Clarkson	Kenora	Ottawa	St. Hyacinthe
Don Mills	Kirkland Lake	Owen Sound	St. James
Dorval	Kitchener	Peterborough	Sudbury
Downsview	LaSalle	Pointe Claire	Thornbury
Dryden	London	Port Arthur	Toronto
Dundas	Madsen	Port Credit	Welland
Elliot Lake	Montreal	Red Lake	Weston
Fort Erie	New Liskeard	Red Lake Road	Willowdale
Fort William	Niagara Falls	Rexdale	Winnipeg

NUMBER OF COMMUNITIES, COMPANIES AND INDIVIDUALS THROUGH WHOM SUPPLIES AND SERVICES ARE PURCHASED

	Communities	Companies and Individuals
Alberta	1	1
Manitoba	3	81
Ontario	42	148
Quebec	6	27
United States of America	7	7
	<u>59</u>	<u>264</u>

DOME MINES LIMITED

SUITE 1007, EXCELSIOR LIFE BUILDING
36 TORONTO STREET — TORONTO, ONTARIO
CANADA

Notice of Annual Meeting

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Dome Mines Limited will be held at the Royal York Hotel, Front Street West, Toronto, Ontario, Canada, on Monday, April 26, 1965, at 11:00 o'clock in the forenoon (Toronto Time):

- (a) to receive the Annual Report of the Company for the year ended December 31, 1964;
- (b) to elect directors for the ensuing year;
- (c) to appoint auditors for the ensuing year; and
- (d) to transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on March 26, 1965, will be entitled to receive notice of and to vote at the meeting and at any adjournment thereof.

Each shareholder who is unable to attend the meeting is respectfully requested to complete, sign and return the enclosed proxy form. All instruments appointing proxies to be used at the meeting must be deposited with the Secretary or an Assistant Secretary of the Company at Toronto not later than 10:00 o'clock in the forenoon (Toronto Time) on Monday, April 26, 1965, being one hour before the time fixed for the holding of the meeting. Instruments appointing proxies not so deposited will not be voted at the meeting.

A copy of the Annual Report above mentioned has been mailed to each shareholder.

By Order of the Board of Directors,

BRYCE R. MacKENZIE,

DATED March 15th, 1965.

Secretary.

DOMINE MINES LIMITED

SUITE 1007, EXCELSIOR LIFE BUILDING
36 TORONTO STREET — TORONTO, ONTARIO
CANADA

Proxy Statement

This proxy statement is furnished in connection with the solicitation of proxies for use at the Annual Meeting of the Shareholders of Dome Mines Limited to be held on Monday, April 26, 1965, at 11:00 o'clock in the forenoon (Toronto Time).

The enclosed proxy is solicited by the management of the Company. A shareholder giving a proxy has power to revoke it at any time before it is voted. All instruments appointing proxies to be used at the meeting must be deposited with the Secretary or an Assistant Secretary of the Company at Toronto not later than 10:00 o'clock in the forenoon (Toronto Time) on Monday, April 26, 1965, being one hour before the time fixed for the holding of the meeting. Instruments appointing proxies not so deposited will not be voted at the meeting.

Only shareholders of record at the close of business on March 26, 1965 will be entitled to receive notice of and to vote at the meeting and at any adjournment thereof. Shareholders representing in person or by proxy at least one-third of the issued shares of the Company constitute a quorum at any meeting of shareholders. The Company has outstanding 1,946,668 shares of its capital stock, each entitled to one vote.

The cost of solicitation of proxies will be borne by the Company. Solicitation will be made initially by mail. The directors, officers and employees of the Company may, but without compensation other than their regular compensation, solicit proxies by telephone, telegraph or personal interview. The Company will also reimburse brokerage firms, banks, trustees, nominees and other persons for their out-of-pocket expenses in forwarding proxy material to the beneficial owners of shares of the Company.

It is not intended to use the proxies for the purpose of voting upon the Annual Report of the Company for the year ended December 31, 1964.

ELECTION OF DIRECTORS

Nine directors are to be elected at the meeting to serve until the next annual meeting or until their successors are duly elected. Proxies in the accompanying form will be voted in favour of the election of the nine nominees named on the following page, all of whom are presently serving as directors of the Company. The following information is submitted with respect to the nominees for director:

DOMINE MINES LIMITED

Name and Principal Occupation	Became a Director	Company	Shares Beneficially Owned as of February 15, 1965 (1) Subsidiary Companies (2)
(3) CLIFFORD W. MICHEL, Chairman of the Board and Treasurer, Dome Mines Limited; Partner, Carl M. Loeb, Rhoades & Co., New York, Members New York Stock Exchange	1939	1,000	10 Sigma 100 Campbell
(3) F. WARREN PERSHING, Partner, Pershing & Co., New York, Members New York Stock Exchange	1941	50	—
HENRY C. BRUNIE, Chairman of the Board, Empire Trust Company, New York	1945	100	—
A. BRUCE MATTHEWS, Chairman of the Board, The Excelsior Life Insurance Company, Toronto	1947	800	300 Sigma
JAMES B. REDPATH, President, Dome Mines Limited, and President of the subsidiary companies	1956	1,500	100 Sigma 1,000 Campbell
WILLIAM F. JAMES, Partner, James, Buffam & Cooper, Consulting Geologists, Toronto	1958	100	100 Campbell
WILLIAM R. BIGGS, Executive Vice-President and Trustee, The Bank of New York, New York	1960	900	—
ALLEN T. LAMBERT, Chairman of the Board and President, The Toronto-Dominion Bank, Toronto	1960	100	—
BRYCE R. MACKENZIE, Secretary, Dome Mines Limited; Partner, Fasken, Calvin, MacKenzie Williston & Swackhamer, Barristers and Solicitors, Toronto	1963	100	4 Sigma 50 Campbell

- (1) The information as to shares owned by each nominee, not being within the knowledge of the Company, has been furnished by such nominee.
- (2) The subsidiary companies are Sigma Mines (Quebec) Limited and Campbell Red Lake Mines Limited.
- (3) In addition, Mr. Michel is President and Mr. Pershing is Secretary, and both are directors of a corporation holding 44,000 shares of the Company. Mr. Michel is the beneficial owner of less than 1% of the issued shares of such corporation and no shares of such corporation are beneficially owned by Mr. Pershing.

Although the management does not contemplate that any of the nominees named will be unavailable for election or will decline to serve if elected, in the event of any vacancies among the nominees occasioned by death or other unexpected occurrence, the proxies will be voted in favour of the remaining nominees and for such other substituted nominees as the board of directors may designate.

REMUNERATION OF MANAGEMENT

The aggregate remuneration accrued or paid by the Company and its subsidiary companies to all persons as a group who were directors or executive officers of the Company at any time during the fiscal year January 1, 1964 to December 31, 1964 was \$102,400 (Canadian funds). Of this sum \$35,000 was accrued or paid to Mr. James B. Redpath as President and a director of the Company, and as President of the subsidiary companies. Mr. Redpath, as a participant under the employee pension plans of the Company and its subsidiary Sigma Mines (Quebec) Limited, will be entitled on retirement at age 65 to an annual pension of \$1,751. The annual pension benefits payable on retirement at age 65 to the directors and officers of the Company as a group under the employee pension plans of the Company and its subsidiaries is \$3,541.

The remuneration reported above for the directors and executive officers of the Company does not include legal fees of \$21,100 for services rendered in 1964 paid by the Company and its subsidiaries to the firm of Fasken, Calvin, MacKenzie, Williston & Swackhamer of which Mr. Bryce R. MacKenzie, Mr. Fraser M. Fell and Mr. Harry W. Macdonell, are partners. Mr. Bryce R. MacKenzie, Mr. Fraser M. Fell and Mr. Harry W. Macdonell are Secretary, an Assistant Secretary and an Assistant Treasurer of the Company respectively.

APPOINTMENT OF AUDITORS

The shareholders will be asked to vote for the appointment of Messrs. Clarkson, Gordon & Co., Toronto, Ontario, who have been auditors of the Company for many years. There is no relationship between such auditors and the Company or any affiliates of the Company. The enclosed form of proxy provides space for instructions directing the proxies therein named to vote for or against such appointment.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

It is not the intention of the management of the Company to bring any matters before the meeting other than the matters referred to in the notice of meeting. However, the persons named in the enclosed proxy are authorized to vote in accordance with their judgment on all matters that may properly come before the meeting.

MANNER OF VOTING PROXIES

The shares represented by the proxies will be voted in accordance with the statements made above except as may be otherwise stated on the proxy forms. Where the shareholder specifies a choice for or against the appointment of Messrs. Clarkson, Gordon & Co. as auditors of the Company, such shares will be voted in accordance with the specification made. Where a choice is not so specified, full authority is granted to vote in favour of such proposal.

By Order of the Board of Directors,

BRYCE R. MacKENZIE,
Secretary.

Dated March 15th, 1965.